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FROM: Tripoli

TO: Secretary of State

NO: 524, February 5, 7 p.m.

SENT DEPARTMENT 524, REPEATED INFORMATION BENGHAZI UNNUMBERED.

USOM preparing airgram for early submission ICA re DA funding procedure Libya. Airgram will contain recommendation and justification for obligating $7 million through exchange of notes pursuant to DA bilateral rather than by project agreements. Funds would be paid to LARC without being tied to specific projects. Justification will include full explanation LARC organization, operation and experience.

I wholeheartedly endorse this recommendation and urge strongest possible Department representation to secure ICA approval.

Program planning and administration both special and DA funds would be entrusted to LARC on which United States fully represented all phases programming process. LARC originally established and now fully capable serve as focal point programming, financing and supervising total United States-aided development program. Fiscal year 1956 procedure prevents necessary management flexibility and introduces undesirable complexity administration. It raises doubts as to United States confidence in and support of LARC and drains off much of impact value for which funds provided in first instance. I regard LARC as model for binational cooperation and as signal success. Moreover, I feel this question strikes at very heart of LARC's future.

Embassy-USOM assume new procedure might be accompanied by provision more specific ground rules guide United States representatives in connection LARC operations. Procedure would not preclude advance Washington clearance major outlines of program and USOM would provide fuller reporting on utilization of funds both past and projected.

I intend discuss this proposal with Mr. Hollister and top ICA staff during their brief stay Tripoli. Department presumably arranging high level discussion there prior departure Hollister party from Washington. Request you emphasize importance this question in terms total United States-Libyan relation and its very real bearing upon maximum achievement our politico-military as well as economic objectives.

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